No. 15-777

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF SYSTEMS, INC. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

PHILIP P. MANN
Counsel of Record
MANN LAW GROUP
1218 Third Avenue, Suite 1809
Seattle, Washington 98101
(206) 436-0900
phil@mannlawgroup.com

Counsel for Amicus Curiae

January 15, 2016

263629

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

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INTEREST OF AMICUS CURIAE [1]

Systems, Inc. ("Systems") has an important interest in the questions presented by this case because the law resulting from the Federal Circuit's decision in the instant matter is being applied to the substantial detriment of numerous other litigants including Systems.

Systems is a Wisconsin corporation in the business of building and selling dock levelers, which are large mechanical components used to bridge the gap between a delivery truck and a loading dock of a building. Systems is a party to an ongoing design patent dispute with Nordock, Inc. ("Nordock"). That dispute is described in greater detail below. Briefly explained, a jury found in Systems' favor regarding the proper measure of damages for infringement of Nordock's design patent. Nordock appealed the district court's refusal to set aside the jury's verdict. On appeal, the Federal Circuit concluded that the jury verdict did not comport with its holding in *Samsung v. Apple* and remanded for a new trial on damages.

The propriety of the Federal Circuit's decision remanding the *Systems v. Nordock* matter for a new trial on damages rises and falls with the merits of the instant action. In fact, Systems will be filing its own petition for

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1. Pursuant to Supreme Court Rule 37.6, amicus curiae states that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from amicus curiae and its counsel, made any monetary contribution toward the preparation or submission of this brief. On December 21, 2014, Petitioner filed a letter with the Clerk of Court reflecting its blanket consent to the filing of amicus briefs. On January 5, 2016, amicus curiae sought and received consent from Respondent to file this brief.

writ of certiorari by the end of this month. Should this Court accept Samsung's petition and alter the Federal Circuit's decision in this matter, that action will have a direct impact on the outcome of the *Systems v. Nordock* matter, and may completely avoid an unnecessary re-trial.

II. SUMMARY OF ARGUMENT

Samsung's petition for a writ of certiorari should be granted so this Court can correct the Federal Circuit's erroneous interpretation of 35 U.S.C. § 289 awarding exorbitant damages for infringement of a design patent. The Federal Circuit has adopted an interpretation of Section 289 that appears to contradict over a century of established jurisprudence. In doing so, the Federal Circuit has created a damages model for infringement of a design patent completely devoid of the safeguards developed for damages recoverable under 35 U.S.C. § 284. The Federal Circuit's erroneous interpretation has resulted in a foot race to the courthouse with design patent holders seeking exorbitant windfalls in some cases that offend all notions of substantial justice. Systems, as amicus curiae, urges this Court to grant Samsung's petition and hear its case.

III. ARGUMENT

The Federal Circuit's interpretation of 35 U.S.C. § 289 contradicts both long-established law and general notions of substantial justice. The erroneous interpretation transforms what has always been a compensatory damages statute into a punitive one. Given the windfalls which necessarily follow, the district courts are now being flooded with new design patent cases.

A. The Federal Circuit's Decision Is A Departure From A Century Of Established Law

Samsung has petitioned this Court for a writ of certiorari, *inter alia*, to overturn the Federal Circuit's erroneous interpretation of 35 U.S.C. § 289 ("Section 289") as entitling a design patent plaintiff to defendant's total profits from sales of an accused product without even a common-sense analysis of whether those profits have the slightest causal nexus to the infringement.

Samsung's petition properly identifies the salient law illuminating the history, intent, and development of Section 289. Systems will not duplicate Samsung's petition, but will merely highlight and summarize the law implicated by matters set out in this brief.

1. The Federal Circuit's Interpretation of Section 289 Eliminates Any Meaningful Causation Requirement

Without belaboring the point, the law of patent infringement – like the law in general – has always required some causal nexus between patent infringement and damages recoverable for that infringement. See *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (lost profits); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) (per curiam) (reasonable royalty); c.f., *Bush & Lane Piano Co. v. Becker Bros.*, 234 F. 79, 81-82 (2d Cir. 1916).

Although Section 289 today is undeniably directed at recovering infringer's profits as a measure of damages for design patent infringement, nothing about that statute

suggests the measure of damages can be totally unrelated to the infringement. Rather, the language of Section 289 entitles the patent owner to "the profit made *from* the infringement," which at least implies that a nexus must exist between the infringement and the profits as a measure of damages.

The cases cited by Samsung in its petition establish that such a causal connection has always, until recently, been a requirement of damages under Section 289 and its predecessors. See, e.g., Samsung Petition at 33-34. The Federal Circuit's conclusion that Section 289 is devoid of any causal connection between infringement and damages is simply wrong, and this Court should grant the petition so that it can remedy the Federal Circuit's error.

2. The Federal Circuit's Interpretation of Section 289 May Improperly Result In Punitive Damages

The Patent Act and relevant jurisprudence limit recovery for patent infringement under 35 U.S.C. § 284 ("Section 284") to compensatory damages – damages actually incurred due to the infringement. See *General Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983). Congress and the courts have consistently agreed that in order to recover more than compensatory damages for patent infringement, some measure of willfulness on the part of the infringer must be present. See *Seymour v. McCormick*, 57 U.S. (16 How.) 480 (1854); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964); *Dowling v. United States*, 473 U.S. 207, 227 n.19 (1985); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 663 n.15 (1999) (Stevens, J.,

dissenting) (quoting *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992)). In short, damages for patent infringement are limited to compensatory or "actual" damages unless the infringer acted with the requisite level of willful intent. And even if the infringement is willful, the patent owner may only recover at most *three* times actual damages. See 35 U.S.C. § 284.

There is no rational basis for declining to apply the same standard for enhanced damages to Section 289 that undeniably applies to Section 284. In other words, even if Congress' intent when enacting the predecessor to Section 289 was to effect disgorgement of the infringer's profits, nothing in that intent suggests punitive or enhanced damages is appropriate. Indeed, the language of Section 289 today suggests exactly the opposite. Congress would not have included language to prevent any recovery in excess of "the profit made *from the infringement*" if it had intended Section 289 to be punitive. 35 U.S.C. § 289 (emphasis added). Accordingly, the only rational conclusion is that Section 289 is intended to be compensatory and not punitive.

As demonstrated below with real world examples, the Federal Circuit's erroneous interpretation of Section 289 potentially results in damages awards that drastically exceed any compensatory damage amount attributable to the infringement. For example, even though willful infringement is a necessary prerequisite to a recovery of just *three* times compensatory damages under Section 284, in *Nordock v. Systems*, the patent owner stands to recover an amount exceeding *thirteen* times actual damages if the Federal Circuit's interpretation of Section 289 stands. Such a punitive result cannot have been intended by Congress when enacting Section 289.

B. The Impact On The Business Community Of The Federal Circuit's Error Is Very Real And Accelerating

The problem presented in Petitioner's case is not isolated or unique. Indeed, because of the Federal Circuit's position on Section 289 damages, more and more design patent cases are being filed and damages awards under Section 289 are a critical element in every one. Set out below are just a few recent design patent cases which are severely impacted by the Federal Circuit's interpretation of Section 289. The following cases are a brief illustration of the substantial impact that the Federal Circuit's interpretation is having on patent litigation today, and the problem appears to be worsening rapidly.

1. *Nordock v. Systems*

Systems, Inc. (*amicus curiae* on the instant brief) was sued for infringement of a design patent owned by Nordock, Inc. in the Eastern District of Wisconsin. See *Nordock, Inc. v. Systems, Inc.*, Case No. 2:11-cv-118 (WIED). At trial, the jury found that Systems' "mechanical" dock levelers did not infringe Nordock's design patent, but that certain "hydraulic" dock levelers did infringe. During trial, Systems' damages expert, Rick Bero, had testified that profits on the "front end" of the dock levelers would be no greater than $46,825. Mr. Bero testified that he calculated profits on only the "front end" of the dock leveler because only the "front end" of the dock leveler was claimed in Nordock's design patent.

The jury awarded $46,825 as the total amount of money Nordock was to receive for the infringement.

Nordock ultimately appealed to the Federal Circuit on the grounds that Nordock was entitled to Systems' profits on its *entire* dock leveler, which exceeded $600,000. The Federal Circuit relied on its decision in *Apple v. Samsung,* vacated the Jury's findings, and remanded the matter for a new trial on damages. In particular, the Federal Circuit found that the jury should have awarded Systems' total profits on the *entire* dock leveler rather than only the profit attributable to the infringement, i.e., the profits on the claimed "front end" design.

The Federal Circuit's decision, if allowed to stand, would impose a punitive damages award against Systems that exceeds *thirteen times* the actual damages attributable to the infringement. That unjust result is prompting Systems, *amicus curiae* in this matter, to file a petition for writ of certiorari in its own separate matter later this month.

2. *Pacific Coast Marine Windshields v. Malibu Boats*

The *Pacific Coast Marine Windshields v. Malibu Boats* case is yet another example of how district courts have applied the Federal Circuit's draconian interpretation of Section 289 to reach implausible results. *See, Coast Marine Windshields, Ltd. v. Malibu Boats, LLC et. al.,* 6:12-cv-00033 (FLMD). In *Pacific Coast,* plaintiff owned a design patent covering only a windshield design for a boat. However, plaintiff sought damages on the entire boat under the interpretation of Section 289 adopted by the Federal Circuit. On summary judgment, the District Court agreed and ruled that Pacific Coast could recover Malibu's total profits on the *entire boat* even though the

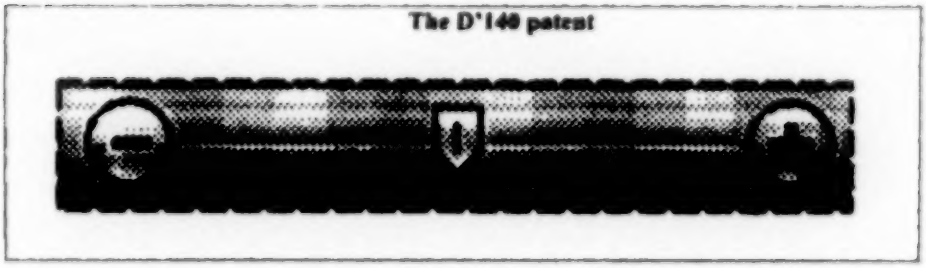
design patent only claims the windshield and even though Pacific Coast does not even make or sell boats. Shown below is a comparison of the patented design on the right with Malibu's boat on the left:

[patented design]

3. *Microsoft v. Corel*

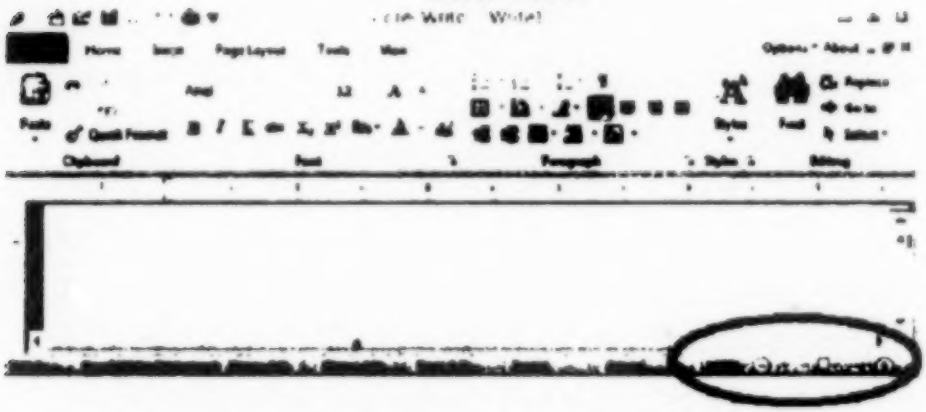
Even more compelling is the recently-filed case of *Microsoft Corporation v. Corel Corporation*, Case 5:15-cv-05836 (CAND). In that case, Microsoft sued Corel for infringement of a number of patents, including five utility patents and four design patents. Using the Federal Circuit's interpretation of Section 289, infringement of any one design patent would lead to an award of *all* of Corel's profits for the *entire* accused product.

Below is a reproduction of one of Microsoft's claimed designs, which is a graphical element used to scale the visible size of an electronic document.



And below is a reproduction of the Corel accused product purportedly using the claimed invention of the '140D patent. The portion circled in red is the accused element.

Corel Write:



Under the Federal Circuit's interpretation of Section 289, the damages available for infringement of the single graphical element circled in red will be the total profits on the *entire* accused product, i.e., the whole word processing program.

The Federal Circuit's interpretation of Section 289 raises even more substantial questions that this Court should address. For example, if a defendant, such as Corel, is found to infringe two or more design patents for the same accused product, such as the Corel Write word processor shown above, how many times can the patent owner recover total profits? Worst case, under the Federal Circuit's erroneous interpretation of Section 289, Microsoft stands to recover all of Corel's profits *four times over* without ever even making any causal connection between damages and infringement, and without proving willful infringement.

Such an unjust result cannot have been envisioned, or even contemplated, by Congress when it drafted the language of Section 289. For at least this additional reason, this Court should grant Samsung's petition and correct the Federal Circuit's error.

CONCLUSION

Samsung's petition for a writ of certiorari should be granted. The Federal Circuit's erroneous interpretation of Section 289 is contrary to a century of established law and is having a rapidly-increasing detrimental impact on patent litigants. It is time for this Court to review the Federal Circuit's rulings and correct the error.

Dated: January 15, 2016. Respectfully submitted

PHILIP P. MANN
Counsel of Record
MANN LAW GROUP
1218 Third Avenue, Suite 1809
Seattle, Washington 98101
(206) 436-0900
phil@mannlawgroup.com

Counsel for Amicus Curiae